

NW PENSION PLAN (1977)

Annual Report and Financial Statements

31 December 2020

NW PENSION PLAN (1977)

CONTENTS

	Page
TRUSTEES AND ADVISERS TO THE SCHEME	1 - 2
TRUSTEES' REPORT	3 - 6
INDEPENDENT AUDITOR'S REPORT	7 - 8
FUND ACCOUNT	9
NET ASSETS STATEMENT (AVAILABLE FOR BENEFITS)	10
NOTES TO THE FINANCIAL STATEMENTS	11- 16
SUMMARY OF CONTRIBUTIONS	17
INDEPENDENT AUDITOR'S STATEMENT ABOUT CONTRIBUTIONS	18
ACTUARIAL CERTIFICATES	19 - 20
COMPLIANCE STATEMENT	21
SCHEDULE OF CONTRIBUTIONS	22
INVESTMENT REPORT	23 - 25

NW PENSION PLAN (1977)

TRUSTEES AND ADVISERS TO THE SCHEME

TRUSTEES

G R Canwell
D Clark (appointed 6 February 2020)
P A G Green
A J Gregory
M Tilney (appointed 22 May 2020)
S J Petch (resigned 21 May 2020)

SECRETARY TO THE TRUSTEES

D Perry
Alan Boswell Insurance and Financial Services Group
Harbour House
126 Thorpe Road
Norwich
NR1 1UL

PRINCIPAL EMPLOYER
R&Q Insurance Services Limited
71 Fenchurch Street
London
EC3M 4BS

AUDITOR
PKF Littlejohn LLP
15 Westferry Circus
Canary Wharf
London
E14 4HD

ACTUARY
R Evans, FIA (appointed 22 February 2021)
R Hunt, FIA (resigned 22 February 2021)
XPS Pensions Group PLC
Phoenix House
1 Station Street, Reading
RG1 1NB

ADMINISTRATORS
R&Q Insurance Services Limited
71 Fenchurch Street
London
EC3M 4BS

Aviva
PO Box 4 Surrey Street
Norwich, NR1 3NG

BANKERS
National Westminster Bank Plc
1 Princes Street
PO Box 12258
London
EC2R 8PA

CUSTODIANS
Bank of New York Mellon
One Canada Square
London
E14 5AL

NW PENSION PLAN (1977)

TRUSTEES AND ADVISERS TO THE SCHEME

INVESTMENT MANAGERS

XPS Pensions Group PLC
Phoenix House
1 Station Hill
Reading
RG1 1NB

TwentyFour Asset Management
3rd Floor
24 Cornhill
London
EC3V 3ND

Schroder Investment Management Ltd
1 London Wall Place
London
EC2Y 5AU

Aberdeen Standard Investments
10 Queen's Terrace
Aberdeen
AB10 1XL

Standard Life Investments
1 George Street
Edinburgh
EH2 2LL

Brown Brothers Harriman Fund Administration Services (Ireland) Limited
30 Herbert Street
Dublin 2
Ireland

Northern Trust International Fund Administration Services (Guernsey) Limited
PO Box 255
Trafalgar Court, Les Banques
St Peter Port
Guernsey
GY1 3QL

The Plan is registered with the Pension Schemes Registry under Number 10017356

NW PENSION PLAN (1977)

TRUSTEES' REPORT

INTRODUCTION

The Trustees of the NW Pension Plan (1977) are pleased to present their annual report together with the financial statements of the Plan, for the year ended 31 December 2020. The Investment Report set out on pages 23 to 25 and the Compliance Statement set out on page 22 form part of this annual report.

The Plan provides pensions and lump sum benefits on retirement and death for members of the Plan, and is governed by a Trust Deed and Rules. The Plan provides defined benefit pensions.

MANAGEMENT OF THE PLAN

In accordance with the terms of the Definitive Deed which governs the Plan, R&Q Insurance Services Limited nominates three Trustees; the other two are member nominated Trustees. The names of the Trustees are listed on page 1. One member nominated Trustee is nominated by the pensioners and one is nominated by the deferred members of the Plan.

Trustees are invited to attend Trustee meetings at which a minimum of four must be present for valid decisions to be taken. Decisions require the majority support of those Trustees present. The Trustees met on five occasions during the year to review investment activities and any other matters affecting the Plan and its members. The names of the Investment Managers and Actuary to the plan are detailed on pages 1 and 2.

INTERNAL DISPUTE RESOLUTION (IDR) PROCEDURES

It is a requirement of the Pensions Act 1995 that all Occupational Pension Schemes must have an IDR procedure in place for dealing with any disputes between the Trustees and the Plan beneficiaries. A dispute resolution procedure has been agreed by the Trustees, details of which can be obtained by writing to the plan Secretary at the address shown on page 1.

FINANCIAL DEVELOPMENT OF THE PLAN

The financial statements set out on pages 9 to 16 have been prepared and audited in accordance with the regulations made under sections 41(1) and (6) of the Pensions Act 1995.

Changes in the Plan's net assets during the year are as follows:

	£'000
Net assets at 31 December 2019	29,863
Net withdrawals from dealings with members	(1,727)
Net returns on investments	<u>3,267</u>
Net assets at 31 December 2020	<u><u>31,403</u></u>

The last actuarial valuation as at 1 January 2018 showed an increase in the scheme deficit. The actuarial valuation also confirmed that the rate of contributions by the employer as set out in the Schedule of Contributions dated 19 June 2019 is sufficient to support the present scale of benefits provided by the Plan rules on the basis of the assumptions made by the Actuary. The triennial actuarial valuation as at 1 January 2018 was finalised on 19 June 2019. The Schedule of Contributions, Recovery Plan and Statement of Funding Principles were signed and approved by all parties on that date.

On 2 December 2003 the Plan was closed to new members and also to accrual of future benefits and the active members became deferred members as at that date.

NW PENSION PLAN (1977)

TRUSTEES' REPORT

SUMMARY OF THE CURRENT FUNDING POSITION

Under section 222 of the Pensions Act 2004, every scheme is subject to the Statutory Funding Objective, which is to have sufficient and appropriate assets to cover its technical provisions. The technical provisions represent the present value of the benefits members are entitled to based upon pensionable service to the valuation date. This is assessed using the assumptions agreed between the Trustees and the Employer and set out in the Statement of Funding Principles.

The most recent formal valuation of the Scheme took place as at 1 January 2018. The results can be summarised as follows:

	1 January 2018 £000
Value of assets	25,280
Past service liability – technical provisions	32,700
Excess / (shortfall)	(7,420)
Funding level	80%

The method and significant actuarial assumptions used to determine the technical provisions are as follows:

Method

The actuarial method used in the calculation of the technical provisions is the Defined Accrued Benefit Method.

Key Financial Assumptions

Inflation

Future price inflation takes into account the difference in yields available on index-linked and conventional UK Government bonds as illustrated in the spot rates produced by the Bank of England of term appropriate to the liabilities. A 20 year spot rate is used to derive the level of inflation as measured by RPI. A deduction of 0.5% will be made to derive CPI inflation.

Discount interest rate

Interest is calculated with reference to gilt yields at the valuation date of term appropriate to the liabilities. To allow for higher expected returns on equities, property and corporate bonds, the appropriate gilt yield will be increased by approximately 2% up to and after retirement.

Mortality

Based on information published by the actuarial profession's Continuous Mortality Investigation and will make allowance for future improvements in longevity. For the valuation S2PxA standardised mortality tables will be used for both pre-retirement rates and for post-retirement rates.

Marital Status

90% of males and females will be married at retirement and husbands will be three years older than their wives.

Cash at retirement

20% of the member's pensions will be commuted for cash at retirement.

CONTRIBUTIONS

As required by the Pensions Act 1995 the Trustees have agreed a Schedule of Contributions with the employer, which was certified by the Actuary on 19 June 2019.

NW PENSION PLAN (1977)

TRUSTEES' REPORT

TRANSFERS OUT OF THE PLAN

There were two transfers out of the Plan during the year.

CONTINGENT ASSETS

The Trustees and the Employer have agreed that any funding shortfalls identified at the valuation should be eliminated as quickly as the Employer can reasonably afford by the payment of fixed additional contributions at the following rates:

The Schedule of Contributions dated 19 June 2019 required an immediate payment of £1.4m and then £795k per annum commencing on 1 January 2020 payable for 6 years.

The Trustees expects, based on assumptions at 1 January 2018, that the deficit will be eliminated by the end of December 2025. This equates to a recovery period of 6 years and 6 months from 19 June 2019.

MEMBERSHIP	Deferred members	Pensioners
At 1 January 2020	103	132
New members and widows	-	-
Deaths	-	(4)
Retirements	(8)	8
Transfers	(2)	-
At 31 December 2020	<u>93</u>	<u>136</u>

CHANGES TO THE PLAN RULES

There have been no changes to the Plan rules during the year.

ACTUARY

R Hunt FIA of XPS Pensions Group PLC resigned as Plan actuary with effect from 22 February 2021. There were no circumstances connected with his resignation notified to the Trustees which significantly affect the interests of the members or prospective members of, or beneficiaries under, the Plan. R Evans FIA of XPS Pensions Group PLC was appointed as Plan actuary with effect from 22 February 2021.

FURTHER INFORMATION

Enquiries about the plan should be addressed to the Administrator of the Plan, who is based at the address shown on page 1.

FINANCIAL MARKETS

The Trustees monitor the performance of the investments and take advice from the Investment Managers. The Trustees have implemented a new investment strategy to maximise the return on Scheme assets and reduce the impact of short term turbulent financial conditions.

INVESTMENTS

A Statement of Investment Principles has been produced as required under Section 35 of the Pensions Act 1995. A copy is available on request from the Administrator of the Plan, who is based at the address shown on page 1.

The investment performance and details are disclosed in the investment report on pages 23 to 25.

Signed on behalf of the Trustees

P A G Green Trustee Date: 14 July 2021

NW PENSION PLAN (1977)

TRUSTEES' REPORT STATEMENT OF TRUSTEES' RESPONSIBILITIES

The Plan's Trustees are responsible for obtaining audited financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice, including the Financial Reporting Standard applicable in the UK (FRS 102) and for making available certain other information about the Plan in the form of an Annual Report.

The financial statements are the responsibility of the Trustees. Pension scheme regulations require the Trustees to make available to Plan members, beneficiaries and certain other parties, audited financial statements for each Plan year which:

- show a true and fair view of the financial transactions of the Plan during the Plan year and of the amount and disposition at the end of that year of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Plan year; and
- contain the information specified in the Schedule to The Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, including a statement whether the financial statements have been prepared in accordance with the Statement of Recommended Practice 'Financial Reports of Pension Schemes' (SORP).

In discharging the above responsibilities, the Trustees are responsible for selecting suitable accounting policies, to be applied consistently, making any estimates and judgements on a prudent and reasonable basis, and for the preparation of the financial statements on a going concern basis unless it is inappropriate to presume that the Plan will not be wound up.

The Trustees are responsible under pensions legislation for ensuring that there is prepared, maintained and from time to time revised a schedule of contributions showing the rates of contributions payable towards the Plan by or on behalf of the employer and the active members of the Plan and the dates on or before which such contributions are to be paid.

The Trustees are also responsible for keeping records in respect of contributions received in respect of any active member of the Plan and for adopting risk-based processes to monitor whether contributions are made to the Plan by the employer and active members in accordance with the schedule of contributions. Where breaches of the schedule occur, the Trustees are required by the Pensions Act 1995 and 2004 to consider making reports to the Pensions Regulator and the Members.

The Trustees have a general responsibility for ensuring that adequate accounting records are kept and for taking such steps as are reasonably open to them to safeguard the assets of the Plan and to prevent and detect fraud and other irregularities, including the maintenance of an appropriate system of internal control.

On behalf of the Trustees

P A G Green..... Trustee Date: 14 July 2021

NW PENSION PLAN (1977)

Independent Auditor's Report to the Trustees of the NW Pension Plan (1977)

Opinion

We have audited the financial statements of the NW Pension Plan (1977) for the year ended 31 December 2020 which comprise the fund account, the net assets statement and related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

In our opinion the financial statements:

- show a true and fair view of the financial transactions of the Plan during the year ended 31 December 2020, and of the amount and disposition at that date of its assets and liabilities, other than the liabilities to pay pensions and benefits after the end of the year;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- contain the information specified in Regulation 3 of, and the Schedule to, the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Plan in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

- the Trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Plan's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The trustees are responsible for the other information. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

NW PENSION PLAN (1977)

Independent Auditor's Report to the Trustees of the NW Pension Plan (1977)

We have nothing to report in this regard.

Responsibilities of Trustees

As explained more fully in the Statement of Trustees' Responsibilities, the Plan's Trustees are responsible for the preparation of financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing the Plan's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend to liquidate the Plan or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Trustees, as a body, in accordance with Regulation 3 (c) of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) (Amendment) Regulations 2016, made under the Pensions Act 1995. Our audit work has been undertaken so that we might state to the Trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Trustees as a body, for our audit work, for this report, or the opinions we have formed.

PKF Littlejohn LLP
Registered Auditor
London
Date: 14 July 2021

NW PENSION PLAN (1977)

FUND ACCOUNT

for the year ended 31 December 2020

		2020	2019
	Note	£	£
CONTRIBUTIONS AND BENEFITS			
Employer contributions	3	795,000	1,400,000
Total contributions		<u>795,000</u>	<u>1,400,000</u>
Benefits paid or payable	4	(1,616,709)	(1,516,216)
Payments to and on account of leavers	5	(905,348)	-
Administrative expenses	6	(342)	(67,720)
		<u>(2,522,399)</u>	<u>(1,583,936)</u>
NET WITHDRAWALS FROM DEALINGS WITH MEMBERS		<u>(1,727,399)</u>	<u>(183,936)</u>
RETURNS ON INVESTMENTS			
Investment income	7	630,592	662,376
Change in market value of investments	8	2,636,613	1,469,203
Investment management expenses		-	(114,871)
		<u>3,267,205</u>	<u>2,016,708</u>
NET RETURNS ON INVESTMENTS		<u>3,267,205</u>	<u>2,016,708</u>
NET INCREASE/(DECREASE) IN THE FUND DURING THE YEAR		1,539,806	1,832,772
NET ASSETS OF THE PLAN			
AT 1 JANUARY		<u>29,863,339</u>	<u>28,030,567</u>
AT 31 DECEMBER		<u><u>31,403,145</u></u>	<u><u>29,863,339</u></u>

NW PENSION PLAN (1977)

NET ASSETS STATEMENT (AVAILABLE FOR BENEFITS) at 31 December 2020

	Note	2020 £	2019 £
INVESTMENTS			
Pooled investment vehicles		24,638,120	22,131,967
Equities		2,804,947	2,950,487
Insurance policies		3,749,000	4,023,000
	8	<u>31,192,067</u>	<u>29,105,454</u>
CURRENT ASSETS	11	368,250	920,513
CURRENT LIABILITIES	11	(157,172)	(162,628)
		<u> </u>	<u> </u>
NET ASSETS OF THE PLAN AT 31 DECEMBER		<u><u>31,403,145</u></u>	<u><u>29,863,339</u></u>

The financial statements summarise the transactions of the Plan and deal with the net assets at the disposition of the Trustees. They do not take account of obligations to pay pensions and benefits, which fall due after the end of the Plan year. The actuarial position of the Plan, which does take account of such obligations, is dealt with in the Trustees' Report and Actuary's Certificate of the calculation of technical provisions on pages 19 and 20 of this Annual Report, and these financial statements should be read in conjunction with them.

These financial statements were approved by the Trustees.

Signed on behalf of the Trustees:

P A G Green..... Trustee

Date: 14 July 2021

NW PENSION PLAN (1977)

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2020

1. BASIS OF PREPARATION

The financial statements have been prepared in accordance with the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', and with the guidelines set out in the Statement of Recommended Practice, Financial Reports of Pension Schemes.

The functional and presentational currency is pounds sterling.

2. ACCOUNTING POLICIES

a. Contributions

Contributions are accounted on the due date in accordance with the Schedule of Contributions.

b. Investment income

Income from equities is accounted for on an accruals basis when the dividend is declared. Income arising from the underlying investments of the pooled investment vehicles that is reinvested within the pooled investment vehicles is reflected in the unit price. Such income is reported within the change in market value.

c. Individual Transfers

Individual transfers to and from the Plan during the year are included in the financial statements on the basis of when the member liability is accepted or discharged.

d. Benefits

Benefits payable are included in the financial statements on an accruals basis when the member notifies the Trustees as to the type or amount of benefit to be taken, or where there is no member choice, on the date of retirement or leaving. Pension benefits paid in respect of which annuity income is received are included within benefits payable.

e. Administrative Expenses and Investment Management Expenses

Administrative expenses and investment management expenses are accounted for on an accruals basis.

f. Investments

Investments are included at fair value.

- i. Pooled investment vehicles are valued at a closing single price provided by the pooled investment manager.
- ii. Quoted equities are stated at the bid price or the last traded price at the date of the net assets statement.
- iii. Annuity policies are valued on a buyout basis by the Plan Actuary, determined using the most recent Plan Funding valuation assumptions, updated for market conditions at the reporting date.

g. Annuities

Income arising from individual annuity policies held by the Trustees and received by the Plan is included within investment income.

Annuities purchased by the Trustees (and in the name of the Trustees) which fully provide for the benefits of certain members are included in these financial statements at a buyout value.

NW PENSION PLAN (1977)

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2020

3. CONTRIBUTIONS RECEIVABLE

	2020	2019
	£	£
Employer contributions – deficit funding	<u>795,000</u>	<u>1,400,000</u>

4. BENEFITS PAYABLE

	2020	2019
	£	£
Pensions	1,452,431	1,405,345
Commutations and lump sum retirement benefits	164,278	110,871
	<u>1,616,709</u>	<u>1,516,216</u>

Pension payments are made partly from the capital of the fund and are partly received from Aviva Life and Pensions UK Ltd as monthly annuity payments. These are paid to pensioners via the R&Q Insurance Services Limited payroll system.

5. PAYMENTS TO AND ON ACCOUNT OF LEAVERS

	2020	2019
	£	£
Individual transfers out to other schemes	<u>905,348</u>	<u>-</u>

6. ADMINISTRATIVE EXPENSES

	2020	2019
	£	£
Administration and professional fees	342	67,720
	<u>342</u>	<u>67,720</u>

All other costs of administration are borne by R&Q Insurance Services Limited.

7. INVESTMENT INCOME

	2020	2019
	£	£
Annuity income	460,379	491,666
Interest and dividends	170,213	170,710
	<u>630,592</u>	<u>662,376</u>

NW PENSION PLAN (1977)

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2020

8. INVESTMENT ASSETS

Investment Reconciliation Table

	Value at 1 Jan 2020 £	Purchases at cost £	Sales proceeds £	Change in market value £	Value at 31 Dec 2020 £
Pooled Investments					
SL Aberdeen Diversified Growth Fund	7,081,477	-	-	2,308,810	9,390,287
Schroder Investment Management Ltd	5,781,763	900,000	-	429,397	7,111,160
Payden Absolute Return Bond Fund	6,155,149	-	(1,450,000)	63,125	4,768,274
Partners Fund	3,113,578	-	-	254,821	3,368,399
	<u>22,131,967</u>	<u>900,000</u>	<u>(1,450,000)</u>	<u>3,056,153</u>	<u>24,638,120</u>
Quoted Equities					
TwentyFour Income Fund Ltd	2,950,487	-	-	(145,540)	2,804,947
Insurance Policies					
AVIVA Life and Pensions UK Ltd	4,023,000	-	-	(274,000)	3,749,000
	<u>29,105,454</u>	<u>900,000</u>	<u>(1,450,000)</u>	<u>2,636,613</u>	<u>31,192,067</u>

The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including investment management charges, reinvested income and profits and losses realised on sales of investments during the year when appropriate. The companies managing pooled investment funds are registered in the UK.

The Trustees hold annuity policies that secure the pensions payable to specified beneficiaries. These policies remain assets of the Trustees.

Transaction costs are included in the cost of purchases and sales. These include fees, commissions, stamp duty and other duties. Indirect transaction costs are incurred through the bid-offer spread on investments within pooled investments vehicles. The amount of indirect transaction costs is not separately provided to the plan.

The plan's share of underlying asset types are shown in the investment report on pages 23 to 25.

NW PENSION PLAN (1977)

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2020

9. FAIR VALUE DETERMINATION

The fair value of financial instruments has been estimated using the following fair value hierarchy:

Level 1	Valuations based on quoted prices in active markets for identical instruments.
Level 2	Valuations based on quoted prices in markets that are not active or based on pricing models for which significant inputs can be corroborated by observable market data.
Level 3	Valuations based on inputs that are unobservable or for which there is limited activity against which to measure fair value.

The Plan's investment assets and liabilities have been fair valued using the above hierarchy categories as follows:

	At 31 December 2020			Total £
	Level 1 £	Level 2 £	Level 3 £	
Pooled Investments	17,526,960	7,111,160	-	24,638,120
Quoted Equities	2,804,947	-	-	2,804,947
Insurance Policies	-	-	3,749,000	3,749,000
Cash at bank	368,250	-	-	368,250
	<u>20,700,157</u>	<u>7,111,160</u>	<u>3,749,000</u>	<u>31,560,317</u>

	At 31 December 2019			Total £
	Level 1 £	Level 2 £	Level 3 £	
Pooled Investments	16,350,204	5,781,763	-	22,131,967
Quoted Equities	2,950,487	-	-	2,950,487
Insurance Policies	-	-	4,023,000	4,023,000
Cash at bank	920,513	-	-	920,513
	<u>20,221,204</u>	<u>5,781,763</u>	<u>4,023,000</u>	<u>30,025,967</u>

10. INVESTMENT RISKS DISCLOSURES

a. Investment Risks

FRS 102 requires the disclosure of information in relation to certain investment risks. These risks are set out by FRS 102 as follows:

Credit risk: this is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Market risk: this comprises currency risk, interest rate risk and other price risk.

Currency risk: this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in foreign exchange rates.

Interest rate risk: this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market interest rates.

NW PENSION PLAN (1977)

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2020

10. INVESTMENT RISKS DISCLOSURES (CONTINUED)

Other price risk: this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Trustees determine their investment strategy after taking advice from a professional investment advisor. The Plan has exposure to these risks because of the investments it makes in following the investment strategy set out on pages 23 to 25. The Trustees manage investment risks, including credit risk and market risk, within agreed risk limits which are set taking into account the Plan's strategic investment objectives. These investment objectives and risk limits are implemented through the investment management agreement in place with the Plan's investment managers and monitored by the Trustees by regular reviews of the investment portfolio.

The Trustees have delegated the ongoing monitoring and management of environmental, social and corporate governance risks and those relating to climate change to the Plan's investment managers.

b. Credit risk

The Plan is subject to credit risk as the Plan invests in pooled investment vehicles and has cash balances.

Cash is held within financial institutions which are at least investment grade credit rated.

Direct credit risk arising from pooled investment vehicles is mitigated by the underlying assets of the pooled arrangements being ring-fenced from the pooled manager, the regulatory environment in which the pooled managers operate and diversification of investments amongst a number of pooled arrangements.

Indirect credit risk arises in relation to underlying investments held in pooled investment vehicles. This risk is mitigated by investing in funds which hold a majority of investments at investment grade credit rate and which invest in a diversified portfolio of investments.

c. Currency risk

The Plan is subject to currency risk because some of the Plan's investments are held in overseas markets, via pooled investment vehicles.

This risk is mitigated by minimising investments held in overseas markets in accordance with the Plan's Statement of Investment Principles.

d. Interest rate risk

The Plan is subject to interest rate risk because some of the Plan's investments are held in bonds, through pooled investment vehicles, and cash. This risk is mitigated through the implementation of a leveraged Liability Driven Investments ("LDI") investment strategy which hedges the Plan's sensitivity to movements in interest rates and inflation. Under this strategy, if interest rates fall, the value of LDI investments will rise to help match the increase in actuarial liabilities arising from a fall in the discount rate. Similarly, if interest rates rise, the LDI investments will fall in value, as will the actuarial liabilities because of an increase in the discount rate.

e. Other price risk

Other price risk arises principally in relation to the Plan's return seeking portfolio which includes directly held equities and equities held in pooled investment vehicles. The Plan manages this exposure to overall price movements by constructing a diverse portfolio of investments across various markets.

NW PENSION PLAN (1977)

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2020

11. CURRENT ASSETS AND LIABILITIES

	2020	2019
	£	£
Cash at bank	368,250	920,513
Deferred annuity income	(36,172)	(41,628)
GMP equalisation	(121,000)	(121,000)
	<u>(157,172)</u>	<u>(162,628)</u>

On 26 October 2018, the High Court handed down a judgement involving the Lloyds Banking Group's defined benefit pension schemes. The judgement concluded the schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits. The issues determined by the judgement arise in relation to other defined benefit pension schemes. Under the ruling schemes are required to backdate benefit adjustments in relation to GMP equalisation and provide interest on the backdated amounts. The Trustees have obtained an estimate of the backdated benefits which relate to equalisation of scheme benefits for the period 17 May 1990 to 5 April 1997 of £121,000 which has been recognised as an accrual in the Plan financial statements as at 31 December 2018 and 2019 and 2020.

12. EMPLOYER RELATED INVESTMENTS

There were no employer related investments at any time during the year within the meaning of section 40(2) of the Pensions Act 1995.

13. RELATED PARTY TRANSACTIONS

In accordance with the Schedule of Contributions, included on page 22, all expenses in relation to the Plan are borne by the Principal Employer.

Three Trustees are pensioner Trustees. Any benefits and pensions paid are in accordance with the Plan rules.

NW PENSION PLAN (1977)

SUMMARY OF CONTRIBUTIONS

payable during the year ended 31 December 2020

During the year, the contributions paid to the Plan by the employer under the Schedule of Contributions were as follows:

Employer deficit funding contributions	£ 795,000
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Reconciliation to the financial statements:

Contributions paid under the Schedule of Contributions	795,000
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Signed on behalf of the Trustees

P A G Green..... Trustee

Date: 14 July 2021

NW PENSION PLAN (1977)

Independent Auditor's Statement about Contributions

Independent Auditor's Statement about Contributions, under Regulation 4 of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, to the NW Pension Plan (1977).

We have examined the summary of contributions to the NW Pension Plan (1977) in respect of the Plan year ended 31 December 2020 to which this statement is attached.

Statement about Contributions

In our opinion contributions for the Plan year ended 31 December 2020 as reported in the attached Summary of Contributions, have, in all material respects, been paid at least in accordance with the Schedule of Contributions certified by the scheme actuary on 19 June 2019.

Scope of work on Statement about Contributions

Our examination involves obtaining evidence sufficient to give reasonable assurance that contributions reported in the attached summary of contributions, have, in all material respects, been paid at least in accordance with the Schedule of Contributions. This includes examination, on a test basis, of evidence relevant to the amounts of contributions payable to the Plan and the timing of those payments under the Schedule of Contributions.

Respective responsibilities of Trustees and Auditor

As explained more fully in the Statement of Trustees' Responsibilities, the Plan's Trustees are responsible for ensuring that there is prepared, maintained, and, from time to time, revised a Schedule of Contributions showing the rates and due dates of certain contributions payable towards the Plan by or on behalf of the employer and the active members of the Plan. The Trustees are also responsible for keeping records in respect of contributions received in respect of active members of the plan and monitoring whether contributions are made to the Plan by the employer in accordance with the Schedule of Contributions.

It is our responsibility to provide a Statement about Contributions paid under the Schedule of Contributions and to report our opinion to you.

Use of our report

This statement is made solely to the Trustees, as a body, in accordance with regulation 4 of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995. Our work has been undertaken so that we might state to the Trustees those matters we are required to state to them in an auditors' statement and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Trustees as a body, for our work, for this statement, or the opinions we have formed.

PKF Littlejohn LLP
Registered Auditor
London

Date: 14 July 2021

Actuary's certificate of the calculation of Technical Provisions

Name of Plan: NW Pension Plan (1977)

Calculation of Technical Provisions

I certify that, in my opinion, the calculation of the Plan's Technical Provisions as at 1 January 2018 is made in accordance with regulations under section 222 of the Pensions Act 2004. The calculation uses a method and assumptions determined by the Trustees of the Plan and set out in the Statement of Funding Principles dated 19 June 2019.

..... 19 June 2019

Robert Hunt
Fellow of the Institute and Faculty of Actuaries
XPS Pensions
Phoenix House
1 Station Hill
Reading
Berkshire
RG1 1NB

Actuary's certification of Schedule of Contributions

NW Pension Plan (1977) ("the Plan")

Adequacy of rates of contributions

1. I certify that, in my opinion, the rates of contributions shown in this Schedule of Contributions are such that the Statutory Funding Objective could have been expected on 1 January 2018 to be met by the end of the period specified in the Recovery Plan dated 18 June 2019.

Adherence to Statement of Funding Principles

2. I hereby certify that, in my opinion, this Schedule of Contributions is consistent with the Statement of Funding Principles dated 18 June 2019.

The certification of the adequacy of the rates of contributions for the purpose of securing that the Statutory Funding Objective can be expected to be met is not a certification of their adequacy for the purpose of securing the Plan's liabilities by the purchase of annuities, if the scheme were to be wound up.

Signature

Date

18 June 2019

Name

Robert Hunt

Qualification

Fellow of the Institute
and Faculty of Actuaries

Address

Phoenix
1 Station Hill
Reading
RG1 1NB

Employer

XPS Pensions Consulting Limited

NW PENSION PLAN (1977)

COMPLIANCE STATEMENT

CONSTITUTION OF THE PLAN

NW Pension Plan (1977) was established by an interim Trust Deed dated 31 January 1977 and is now governed by a Definitive Trust Deed and Rules dated 19 August 1986 with subsequent amendments.

TAXATION STATUS

The Plan is a Registered Pension Scheme within the meaning of Section 153 of the Finance Act 2004.

CHANGES TO THE PLAN CONSTITUTION, RULES OR BASIC INFORMATION

There were no changes to the Plan Rules, Constitution or basic information during the year.

PENSION INCREASES

In accordance with the Plan Rules, the Directors of the Principal Employer undertook a discretionary review of the level of pensions in payment and it was decided that there would be no increase necessary in 2020.

MPS, PENSION OMBUDSMAN AND THE PENSIONS REGULATOR

If plan members have any queries concerning their benefits they should contact the plan's administrators by writing to Secretary at the address shown on page 1.

The MPS is a new service which was introduced in 2019 combining pension guidance, money guidance and debt advice. These services were previously provided by three separate government entities; The Pensions Advisory Service, Pension Wise and the Money Advice Service. The MPS can be contacted at:

Holborn Centre
120 Holborn
London EC1N 2TD

If a member has a complaint against the plan that has not been resolved to their satisfaction through the plan's dispute procedure, the government appointed Pensions Ombudsman can investigate complaints of injustice caused by bad administration, either by the Trustees or plan administrators, or disputes of fact or law. The Pensions Ombudsman can be contacted at:

10 South Colonnade
Canary Wharf
London E14 4PU

The Pensions Regulator is responsible for overseeing pension plan administration and for complaints about non-disclosure of information. It also now acts as the Registrar of Occupational and Personal Pension Schemes. The address for the Pensions Regulator is:

Napier House
Trafalgar Place
Brighton BN1 4DW

NW PENSION PLAN (1977)

SCHEDULE OF CONTRIBUTIONS for the year ended 31 December 2020

Schedule of Contributions

NW Pension Plan (1977) ("the Plan")

This Schedule of Contributions has been prepared by the Trustees after obtaining the advice of Robert Hunt, the Actuary to the Plan. It sets out the timings and amounts of contributions the Employer must pay and the dates these contributions must be paid to the Trustees. It has been agreed by R&Q Insurance Services Limited ("the Employer").

This schedule covers contributions payable in the period from 19 June 2019 to 31 December 2025

Contributions by Employer

Shortfall in funding

The Employer will pay contributions to the Plan in respect of the shortfall in funding in accordance with the Recovery Plan dated 18 June 2019 as follows:

R&Q Insurance Services Limited	£795k per annum, with an initial payment of £1.4m
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The contributions of £795k per annum are payable in equal monthly instalments for a period of 6 years from 1 January 2020. These contributions should be paid to the Plan on or before the 15th of the calendar month following the relevant month.

Expenses

In addition, the Principal Employer will pay all expenses in relation to the Plan. This includes but is not limited to PPF levies, and expenses in respect to investment, administration and actuarial services.

Other contributions

The Employer will release the full value of the Escrow account held in respect of the Recovery Plan prepared as part of the valuation as at 1 January 2015 dated 4 July 2016. This initial payment will be made to the Plan before 31 July 2019.

Signed on behalf of the Trustees	Date
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Signed on behalf of R&Q Insurance Services Limited	Date
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Signed by Robert Hunt, Scheme Actuary	Date
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NW PENSION PLAN (1977)

INVESTMENT REPORT for the year ended 31 December 2020

This investment report sets out the details of the investment strategy and covers its implementation and changes made during the year. The latest Statement of Investment Principles ("SIP") is dated May 2020.

Investment Strategy

The Trustees' long-term objectives of the Plan are:

- To achieve a return on assets of circa 2% p.a. above the expected progression of plan liabilities with a view to eliminate the Plan deficit over a period of 5-6 years;
- The weighting between constituent asset classes determined so as to reduce the expected volatility of the funding level;
- The acquisition of suitable assets of appropriate liquidity which will generate income and capital growth to meet, together with contributions from the Principal Employer, the cost of the current and future benefits which the Plan provides;
- To limit the risk of the assets failing to meet the liabilities over the long term, in particular in relation to the Technical Provisions under Section 222 of the Pensions Act 2004, by considering the liability of the Plan when setting the asset allocation policy; and
- To minimise the long-term costs of the Plan by maximising the return on the assets whilst having regard to the other objectives.

The Plan invests in a Liability Driven Investment ('LDI') portfolio with Schroder Investment Management Ltd, credit funds with TwentyFour Asset Management and Payden & Rygel, a multi asset fund with Aberdeen Standard and a private markets fund with Partners Group Limited.

Further details of the strategy, together with other important investment information for the plan, is set out in the SIP as required by Section 35 of the Pensions Act 1995 and Section 244 of the Pensions Act 2004.

The Trustees rely on professional Investment Managers for advice on strategy and management of the plan's assets. An important consideration is the level of risk associated with the potential return on any proposed assets. The Trustees retain control over some investments, in particular the pooled investment vehicles.

The Trustees' policy is to regularly review the investments and obtain written advice about them when necessary. When deciding whether or not to make any new investments the Trustees will obtain written advice and consider whether future decisions about those investments should be delegated to the Investment Managers. The written advice will consider the suitability of the investments, the need for diversification and the principles within the SIP.

The Trustees have identified the following structure as appropriate to meet the objectives of the Plan:

	Strategic Benchmark Allocation %
Matching Assets	27.0
Liability Driven Investments (LDI)	27.0
Return Seeking Assets	73.0
Multi Assets	28.0
Private Markets	12.5
Credit	32.5
Total	<u>100.0</u>

NW PENSION PLAN (1977)

INVESTMENT REPORT for the year ended 31 December 2020

Investment Benchmarks and Performance

The Plan's investments are measured against individual benchmarks which are based upon the investment objective, the make-up of the underlying assets within each investment and the investment managers' own targets.

Investment	Benchmark/Target	Investment Objective
Schroders LDI Portfolio	LDI Benchmark	To hedge liability risks
Partners Group Partners Fund	Notional absolute return of 8% p.a.	To achieve capital growth over the medium to long term with low levels of volatility
TwentyFour Income Fund	Dividend of at least 6% p.a. and a net total return of 6-9% per annum	Generate attractive risk adjusted returns principally through income distributions
Aberdeen Standard Investments Diversified Growth Fund	1 month LIBOR + 4.5% p.a.	To achieve long term returns with lower volatility than equities
Payden & Rygel Absolute Return Bond Fund	1 month LIBOR + 3.0% p.a. over a 3 year rolling period	To achieve long term returns with lower volatility than equities

The performance of each investment relevant to the benchmark/target during the year is shown below with commentary regarding the performance of each investment provided.

Investment	Fund	12 months benchmark	Relative
Matching Assets			
Schroders LDI Portfolio	44.3%	45.8%	(1.5%)
Growth Assets			
Partners Group Partners Funds	8.3%	8.0%	0.3%
TwentyFour Income Fund	6.0%	5.3%	0.7%
Aberdeen Standard Diversified Growth Fund	1.7%	4.7%	(4.0%)
Payden & Rygel Absolute Return Bond Fund	2.2%	3.3%	1.1%

Schroders LDI Portfolio

The LDI portfolio consists of Synthetic Nominal and Index Linked Gilt Funds together with holdings in a money market fund. These assets are selected to hedge against changes in the Hedge Benchmark value due to interest rate and inflation changes.

The fund posted an absolute return of 44.3% but this was marginally below the target of 45.8%.

NW PENSION PLAN (1977)

INVESTMENT REPORT for the year ended 31 December 2020

Partners Group Partners Fund

The fund outperformed its target for the year, returning 8.3% against a target of 8.0%. Longer term returns (3 and 5 years) remain within the target range of 8-12% p.a. Performance throughout 2020 was driven largely by private equity holdings. Valuation increases were underpinned by positive news around development of COVID-19 vaccines and a general positive market sentiment.

TwentyFour Income Fund Limited

The Fund outperformed its target for the year, returning 6.0% against a target of 5.3%. Longer term returns (3 and 5 years) are behind target.

Fundamental performance across all asset classes remains robust and the portfolio managers will maintain appropriate levels of liquidity and balanced positioning across ratings and sectors.

Aberdeen Standard Diversified Growth Fund

The Fund underperformed its target for 2020 and lags behind its target over 3 and 5 years. Listed equity, infrastructure and property were the largest contributors to performance. However, these were offset by the Fund's absolute return strategy, in particular the Fund's holding in Japanese Yen.

The manager reduced its position in US corporate credit following a tightening in spreads. Exposure to listed equity increased, specifically in allocations to sustainable core equity and green infrastructure equity.

Payden & Rygel Absolute Return Bond Fund

The Fund underperformed its target for 2020 and lags behind its target over 3 and 5 years.

Over Q4 2020, the strategy benefitted from several emerging market names and continued to prefer securitised credit over corporate credit, particularly given the resilience in US housing, a low interest rate backdrop, diversification of collateral, and stricter post-Covid underwriting. In addition, relative value of the asset class remains attractive compared to corporate debt.

Payden and Rygel remain optimistic on the outlook for the asset class, and anticipates pockets of volatility during Q1 2021, therefore the Fund retains good levels of liquidity to take advantage of buying opportunities that arise.